

REMARKS

Claims 1-7 were rejected as being unpatentable under 35 UCS §101. Reconsideration and withdrawal of these rejections are respectfully requested.

Claim 1 has been amended as follows:

1. (Currently Amended) A computer-implemented method of conducting an auction for an item over a computer network, comprising the steps of:
 - setting a current asking price for the item and storing the current asking price in a database coupled to a server that is accessible over the computer network;
 - posting the current asking price and enabling bidding at the current asking price over the computer network;
 - periodically decreasing and posting the current asking price until a first bid is received from a first bidder over the computer network at the then current asking price, and
 - awarding the item to the first bidder at the then current asking price unless, after the first bid is received, at least one additional bidder bids higher than the first bid within a predetermined time interval after the first bid is received.

Support for the added subject matter may be found in Fig. 9 of the specification and the corresponding written description thereof.

As of this writing, *In re Bilski*, (CAFC, 2008) is the current last word on patentable subject matter under 35 USC §101. Under Bilski, "[a] claimed process is surely patent-eligible under § 101 if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing." The Federal Circuit also held that "the use of a specific machine or transformation of an article must impose meaningful limits on the claim's scope to impart patent-eligibility", that "the involvement of the machine or transformation in the claimed process must not merely be insignificant extra-solution activity;" and that the transformation "must be central to the purpose of the claimed process."

As the Examiner will note, the claimed process is indeed tied to particular machines or apparatus (computer network, database coupled to a server that is accessible over the computer network). The use of these particular machines does indeed impose “meaningful limits” on the claim’s scope (the claimed current asking price must be stored in a server that is accessible over the computer network) and the involvement of the computer network, database and server is integral to the claimed method (because the claimed method would not work without these claimed machines), and not merely some “insignificant extra-solution activity”.

Therefore, claim 1 passes muster under both the CAFC’s new guidelines and under the statute. Reconsideration and withdrawal of the 35 USC §101 rejections applied to claims 1-7 are, therefore, respectfully requested.

Claims 1-7 and 11-24 were rejected as being unpatentable over the applicant’s background in view of Boarman and Das. Reconsideration and withdrawal of these rejections are respectfully requested, for the reasons to follow.

In the Examiner’s responses to applicant’s arguments (top of Page 2 of outstanding Office Action), the examiner states

“Boarman and Das et al. (USPAP 2002/0147675) fully and clearly discloses an auction that starts in the form a Dutch auction, i.e. bringing the price down until someone bids on the item and then taking all the bids and notifying the winner and the losers of the results and taking new bids within a predetermined time interval on the item for sale...”

Respectfully, the Examiner mischaracterizes the claimed embodiments, in the following particulars:

Examiner states that the claimed embodiments notifies “winners and losers of the results and taking new bids within a predetermined time...” In fact, as claimed, there are no winners and

losers in the claimed embodiment until the very end of the auction. As claimed, at the end of the portion of the claimed auction wherein the price decreases, there is no winner and no loser, but only a first bid:

periodically decreasing and posting the current asking price until a first bid is received from a first bidder over the computer network at the then current asking price, and

In contrast, at this point in the auction, when "...someone bids on the item...", there are winners and losers in Boarman and Das but NOT in the claimed embodiment, as can be seen in the claim recitation excerpted above.

According to the claimed embodiment, participants not deemed winners/losers until the final winning bid at the end of the auction. Since all bids are open in this Hybrid system, there is no need for separate notification other than the posted status of the auction ("...posting the current asking price..."), which occurs as the asking price changes, as claimed. The bid information is posted and the history of the bids is known by inspection of the posted information.

The Office also misstates the claimed embodiment in the same paragraph on page 2 of the outstanding Office Action, in its statement:

“...notifying the winner and the losers of the results and taking new bids within a predetermined time interval on the item for sale...”
(Underlining for Emphasis Only)

There is no claimed "new" bid, except as there is a first bid and thereafter subsequent current highest bids, as claimed:

“...at least one additional bidder bids higher than the first bid within a predetermined time interval after the first bid is received.”

Thus, according to the claimed embodiment, there is no separate round of bidding in which “new” bids might be found. As claimed, there is only a first bid and then additional bids. The purpose of the initial portion of the Hybrid bidding in which the claimed “first bid” is received is to find the floor price, which one or more of the bidders may set by placing the claimed first bid. Indeed, the purpose of the Hybrid initial bidding is to find an initial floor price so that other prospective bidders, informed by the first bid, may decide on whether to exceed the first bid with a bid of their own. Thus, the claimed Hybrid bidding system is uniquely suited to and designed for circumstances where the market price of the offerings may be obscure or difficult to determine (more on this below). Neither Boarman nor Das is suited to efficiently conduct auctions where the market price of that which is being auctioned is obscure or difficult to determine.

Difficulties in determining the market price and the need to reduce defaults by the winner of the auction was an express objective of the present inventions, as noted in the Background section of the specification:

“It is another object of the present invention to reduce instances of default by both the buyer and seller by insuring that the price ultimately arrived at for the subject of the auction is perceived to be close to the item's true or perceived market value.”

The claimed hybrid auction embodiments tie some but not all elements selected from Dutch-style auctions (the timed descending price offers) to some but not all elements of an English-style auction (ascending price bids). Indeed, the claimed hybrid auction differs from either the Dutch or English style auctions in a manner that cannot be readily predicted by simply combining the two auction styles, as urged by the Office by a mechanistic combination of

Boarman and Das et al. (USPAP 2002/0147675) with the Background section of the present application. Rather, the claimed hybrid auction mechanism is both distinct from either auction style and is also structured as a continuous auction by rules reflecting that structure.

The first bid in a Dutch auction is a winning bid; the first bid in the claimed hybrid auction is NOT a winning bid unless there are no further qualified higher bids. The transformation of the key element in a Dutch auction (a first bid) into an automatic first bid in what is now structured as an English auction is not a simple combination of the two methods – and is not taught or suggested in the Background section or in Boarman or Das. It is a difference by design, where a winning bid in a Dutch auction is, instead, transformed into an initial bid in an English auction. Only if there are no further bids is an initial bid a winner in an English auction, assuming that the reserve price has been met.

In §103(a) rejection, the examiner rejects the claimed hybrid auction as being obvious to those skilled in the art, particularly where the examiner incorrectly ascribes necessity of a second bid in Hybrid following the first bid:

“The applicant’s background does not disclose, after the first bid is received, at least one additional bidder bids higher than the first bid within a predetermined time interval after the first bid is received. Boarman discloses after the first bid is received, at least one additional bidder bids higher than the first bid within a predetermined time interval after the first bid is received...”

First, although the at least one additional bid is required in Boarman, it is not in the claimed embodiments because it is NOT a necessity. Indeed, the first bid in the claimed embodiment can be a winning bid *if* the reserve is exceeded and *if* there are no other (qualified) bids received. As claimed:

awarding the item to the first bidder at the then current asking price unless, after the first bid is received, at least one additional bidder bids higher than the first bid within a predetermined time interval after the first bid is received.

Prior art rules for auctions typically set time intervals within which otherwise qualified bids are to be made, whereas the claimed embodiment allows for an auction to be closed with a single (first and winning) bidder the winner if the reserve price is met.

It is a simple yet subtle point, yet one that is wholly unsuggested by the applied combination and to those of skill in the art, that a single bid in a Dutch style (descending price offers) initial phase of a Hybrid auction may be transformed into an initial bid in an English phase (ascending bids) of the same auction. According to the claimed embodiment, therefore, a first bid, received after periodically decreasing and posting the current asking price, can be either the winning bid if no additional bidder bids higher than the first bid within a predetermined time interval after the first bid is received or may be transformed into an initial bid in the subsequent English phase, in which an additional bidder bids higher than the first bid within a predetermined time interval after the first bid is received. Neither the Background section of the present specification nor Boarman/Das teach of suggest that a first bid may either be the winning bid or the first bid in a second phase of the claimed auction, in which bids increase until no further bids are received. Therefore, it should be clear that the claimed embodiment requires much more than merely appending an English auction at the end of a Dutch auction, whether or not one skilled in the art would be motivated to do so in the first place.

As a particularly topical illustration, the claimed embodiments are particularly well suited to playing a key role in the current financial crisis in which there is no established public market for the exchange of financial derivatives (such as the infamous mortgage backed securities and

credit default swaps, for example), due to uncertainty of the proper pricing of these derivatives. Indeed, it has become clear that neither the private sector nor the government knows quite how to set the fair market value of such derivatives (i.e., how much are they really worth and how much should the Government pay for them). This is because the very information provided by the claimed embodiments is currently lacking: the establishment of a fair and reasonable floor price agreed upon by the parties to the transaction, without committing to sale at that price if other bidders, informed of the floor price, come forward to bid higher (given that the reserve is met). Few bidders will come forward except to secure an unquestioned bargain, such as is understood at the floor price (in this case, the value of the claimed received first bid), which is uniquely set by the claimed embodiments. Once the floor (the value of the claimed first bid) is found, other bidders may be willing to offer slightly higher prices until one is in a situation of a "normal auction" where the market prices are more readily established.

Note that, according to the claimed embodiments, unlike a conventional English-style (ascending bids) auction, the beginning price for the auction is NOT set by the auctioneer but by the first phase initial bidder (the claimed received first bid). It is the circumstances surrounding the prelude to this claimed first bid that allow an initial bid price at the level at least one buyer deems an undoubted bargain.

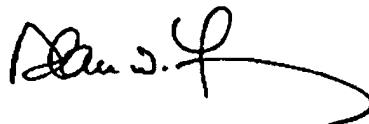
It is respectfully submitted to the Examiner that the claimed embodiments would not have been obvious to those skilled in the art, even if such persons were to be in full possession of the Boarmian/Das references and in full possession of the teachings of the Background section of the present application. Indeed, the claimed embodiments require that the received initial first bid, (which would otherwise be the winning bid in a Dutch auction) be transformed into only a potential winning bid in the ascending phase of the hybrid auction, as at least one additional bid

may be subsequently received that is higher than the received first bid. Properly understood, the claimed embodiments represent a simple and elegant solution to a vexing problem of finding the initial price at which to start an English auction, combining selected advantages of the Dutch system with the ability of the English system to best realize the market value of the items for sale. These advantages are not to be found, taught or suggested in the Background section and/or the Boarnan and Das applications, whether considered alone or in combination. Moreover, a mechanistic application of KSR (asserting obviousness by simply appending an English auction at the end of a Dutch auction) does not yield the claimed embodiments or the advantages thereof, as detailed above.

In view of the foregoing, reconsideration and withdrawal of the 35 USC §103(a) rejections are, therefore, respectfully requested.

It is believed that the present application is now in condition for examination on the merits. In the event that the Examiner has any questions relating to this application, the Examiner need only telephone the undersigned, and whatever is required will be done at once.

Respectfully submitted,



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By: _____

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